

DURHAM



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CITY OF MEDICINE

CITY OF DURHAM | NORTH CAROLINA

DATE: October 20, 2011

TO: Thomas J. Bonfield, City Manager

THROUGH: Wanda S. Page, Deputy City Manager

FROM: Bertha T. Johnson, Director of Budget & Management Services

RE: Request to carryover funds from FY 2010-11 to FY 2011-12, amend the FY2011-12 Budget including transferring the Fleet Acquisition Fund to the Debt Reserve Fund, and other budget, grant and capital project ordinance amendments.

EXECUTIVE SUMMARY

Every year, after the close of the fiscal year, Budget and Management Services receives requests from departments to carryover specific unspent funds that were budgeted in the prior fiscal year. After the annual financial audit is finalized and the General Fund fund balance percentage is confirmed at an acceptable level, the department of Budget and Management Services analyzes the departmental requests and makes a recommendation to the City Manager. The City Manager reviews and approves the final recommendation to be made to the City Council. The departmental requests for carryover from FY 2010-11 to FY 2011-12 totaled \$6,630,882.00. The Administration recommends the City Council approve \$2,856,821.00.

In addition, the Budget and Management Services department is recommending other adjustments to several budget, capital improvement program, and internal service spending plan ordinances and resolutions. A summary of all actions for impacted operating funds is shown in the table below:

General Fund	\$ 1,670,113.69
Emergency Telephone System Fund	\$ 524,579.96
Debt Service Fund	\$ 8,147,854.00
Water and Sewer Fund	\$ 1,886,869.04
Transit Fund	\$ 455,022.91
Solid Waste Disposal Fund	\$ 321,055.67
Storm Water Fund	\$ 482,787.95
Ballpark Fund	\$ 114,770.67
Parking Facilities Fund	\$ 29,325.34
Durham Performing Arts Center Fund	\$ 5,150.00
Total	\$ 13,637,529.23

RECOMMENDATION

The Administration recommends the City Council adopt a budget ordinance amending the **City of Durham Budget Ordinance**, Fiscal Year 2011-12, the same being **Ordinance #14155** to appropriate fund balance for the carryover requests, and make other needed ordinance adjustments.

The Administration recommends that the City Council adopt an ordinance amending the **General Capital Improvement Project Ordinance**, Fiscal Year 2011-12, as amended, the same being **Ordinance #14139** for the purpose of recognizing additional revenues for an FY2012 capital project, recognizing revenues from the sale of land, and for establishing CIP budgets for General Fund fleet vehicles.

The Administration recommends that the City Council adopt an ordinance amending the **Water And Wastewater Capital Improvement Project Ordinance**, Fiscal Year 2011-12, as amended, the same being **Ordinance #14140** for the purpose of establishing CIP budgets for Water and Wastewater fleet vehicles.

The Administration recommends that the City Council adopt an ordinance amending the **Stormwater Capital Improvement Project Ordinance**, Fiscal Year 2011-12, as amended, the same being **Ordinance #14141** for the purpose of establishing CIP budgets for Stormwater fleet vehicles.

The Administration recommends that the City Council adopt a **Solid Waste Capital Improvement Project Ordinance** for the purpose of establishing CIP budgets for Solid Waste fleet vehicles.

Finally, the Administration recommends the City Council adopt a Resolution superseding **Resolution #9776** to amend the **Risk and Fleet Internal Service Funds** Fiscal Year 2011-12 Financial Plans for the purposes of transferring cash from the Risk Fund to the General Fund to finance computer purchases and transferring revenues and expenditures from the Fleet Internal Service Fund to the Debt Reserve Fund as an initial step to eliminating the Fleet Internal Service Fund.

BACKGROUND

A carryover is an expenditure that was approved in the prior fiscal year's budget, but was not spent or encumbered in that fiscal year. Typically, unspent budgeted funds in a prior year revert to fund balance. However, each year a request is made to carryover over a portion of the prior year funds to the current fiscal year. Generally, carryovers are only be recommended by the Administration for approval if they meet the following criteria:

- The funds were appropriated in the prior year's approved budget for the same purpose.
- The funds from the prior year were not spent.
- The purpose is one-time in nature and there are not funds budgeted in the current year for the purpose.
- The City has maintained a desired fund balance level.

However, this year's request includes recommendations to carryover funds that were not appropriated for the same purpose in the prior fiscal year. These items include:

- Additional funding to address deferred maintenance needs - \$611,698 (the entire deferred maintenance list will be provided to City Council for reference)
- Funds to replace aged free weights and fitness trainers at Campus Hills - \$23,000
- Funding to relocate Water Management Finance Team from Mist Lake to City Hall - \$48,759

ISSUES/ANALYSIS

The following table identifies the carryover amounts recommended by the Administration:

Department	Recommendation
GENERAL FUND	
City-County Inspections	\$ 20,300
Public Works	\$ 53,000
OEWD	\$ 485,436
Human Resources	\$ 9,000
Community Development	\$ 226,008
City Council	\$ 5,760
NIS	\$ 104,612
General Services	\$ 611,698
Parks and Recreation	\$ 293,600
Police	\$ 30,000
Transportation	\$ 300,700
Technology Solutions	\$ 96,432
GENERAL FUND Total	\$ 2,236,546
WATER & SEWER FUND	
Public Works	\$ 23,000
Water Management	\$ 48,759
WATER & SEWER FUND TOTAL	\$ 71,759
STORMWATER FUND	
Public Works	\$ 170,000
Technology Solutions / GIS	\$ 67,500
STORMWATER FUND TOTAL	\$ 237,500
FLEET FUND	
Water & Sewer	\$ 3,822
Fleet Management	\$ 29,024
FLEET FUND TOTAL	\$ 32,846
EMERGENCY TELEPHONE SYSTEM FUND	
Emergency Communications	\$ 278,170
EMERGENCY TELEPHONE SYSTEM FUND TOTAL	\$ 278,170
ALL FUNDS Recommended Carryover	\$ 2,856,821

In addition to the carryover the following other amendments are included:

During the FY2010-11 fiscal year a **Debt Reserve Fund** was established to account for property tax revenues to support debt service and the related debt service requirements. General fund debt service related revenue and expenditures were to be transferred to the debt service fund. This amendment transfers the remaining portion of the debt service reserves (\$1,188,104) in the general fund fund balance to the debt reserve fund.

The **Fleet Acquisition Fund** is an internal service fund that was established in FY 2006-07. It is appropriated by resolution rather than included in the City's operating budget ordinance. The fund collects revenue from the City's major funds to purchase and manage fleet vehicles and powered equipment. During the FY2010-11 fiscal year a debt service fund was established to account for property tax revenues to support debt service and the related debt service requirements. Due to the establishment of this debt reserve fund it is not necessary to continue to maintain the Fleet Acquisition Fund. Therefore, an amendment is included to transfer the Fleet Acquisition fund revenues and expenditures to the debt reserve fund (\$6,959,750), and establish capital projects for fleet vehicles. This transaction also affects the general fund as the remaining fleet fund balance of \$193,283.08 is being transferred to the general fund, and the general fund property tax revenues and corresponding charges for services for fleet (\$5,601,247) are being moved to the debt fund. The internal service fund resolution for Fleet will be needed through FY 12 to allow for the budgeting of the transfers out to other funds, then will no longer appear on the resolution.

An amendment to the General Fund is also included to recognize \$3,387,963.61 in **prior year encumbered funds** brought forward to the current fiscal year budget in accordance with Section 8 of the budget ordinance. Other funds also brought forward encumbrances. The total of encumbrances brought forward for all funds totals \$6,415,207.

In August, 2011 the **Fleet Department** was notified that it would receive a reimbursement from Southern Research Institute (SRI), applied for through Triangle Clean Cities coalition, as part of the Recovery Act Funds. The reimbursement is for labor costs associated with installing emissions-reducing technology on City of Durham fleet vehicles and equipment. The actual cost of the technology was covered by the grant. An amendment is included to recognize receipt of funds in the General Fund. These funds will be used to purchase capital equipment, specifically a new heavy truck tire machine (\$12,500).

During the first quarter of FY2011-12, the **Human Relations Department** was merged with Neighborhood Improvement Services. As a result, this amendment includes transferring the Human Relations budget to Neighborhood Improvement Services (\$312,150) including the funding for the Domestic Violence Court Contract (\$166,624.21), which was administered by the Human Relations department.

The transfer of \$185,464 from the **Risk Fund** to the General Fund eliminates the need for external third party financing for computer replacement purchases in Technology Solutions by making use of idle cash in the Risk Fund as an interim funding source. Subsequent General Fund budgets are anticipated to include transfers of equal amounts back to the Risk Fund subject to the availability of funds.

Four **Capital Improvement Program (CIP)** amendments are included in this agenda item. The Administration recommends that the City Council adopt an ordinance amending the **General Capital Improvement Project Ordinance**, Fiscal Year 2011-12, as amended, the same being **Ordinance #14139**. This amendment recognizes an additional \$64,556 for the Information Technology infrastructure project, recognizes \$99,250 from the sale of land for park renovations, and establishes a capital project budget for General Fund fleet vehicles.

The Administration recommends that the City Council adopt an ordinance amending the **Water And Wastewater Capital Improvement Project Ordinance**, Fiscal Year 2011-12, as amended, the same being **Ordinance #14140**. The amendment establishes a capital project budget for Water and Wastewater fleet vehicles.

The Administration recommends that the City Council adopt an ordinance amending the **Stormwater Capital Improvement Project Ordinance**, Fiscal Year 2011-12, as amended, the same being **Ordinance #14141**. This amendment establishes a capital project budget for Stormwater fleet vehicles. The ordinance being amended is ordinance #14141

Finally, the Administration recommends that the City Council adopt a **Solid Waste Capital Improvement Project Ordinance** for the purpose of establishing CIP budgets for Solid Waste fleet vehicles.

The FY2010-11 adopted budget year-end fund balance in the General Fund was projected to be 12%. The actual undesignated fund balance at June 30, 2011 was 13.5%. After re-appropriating \$2.2M for carryover requests the General Fund balance will be reduced to 12.2% which is still 0.2% or \$.3M more than required per the City's policy of 12%. It is imperative to retain a portion of the available excess fund balance to (1) address any current year revenue shortfalls as some revenues sources continue to be unpredictable and (2) provide funding for the FY2012-13 budget.

ALTERNATIVES

As noted above, the carryover amounts were scheduled to be expended in the Council adopted budget for FY 2010-11. In most cases, the funds not expended due to delays in purchasing, delivery or implementation. To make the funds available in the FY2011-12 fiscal year, the City is required to re-appropriate the funds. All of the items remain priorities. Departments will not be able to absorb these expenditures in their FY 2011-12 departmental budgets without impacting current year service plans.

If the City Council does not approve this budget amendment, departments would have to defer the purchase of equipment that has not already been ordered and allow existing equipment to continue to deteriorate. Other expenses have either already been incurred or are not optional. Without this budget amendment, departments would have to reduce their current year service plans to accommodate those costs.

FINANCIAL IMPACT

The approval of this budget amendment will not impact the undesignated General Fund fund balance as funds were already designated for this purpose. This action is consistent with the City Council's intent in the adopted budget to hold the general fund balance at or above 12%. The Local Government Commission recommends that cities maintain a fund balance above 8%. The fund balances in the Water and Sewer and Stormwater funds are adequate to support the amendments requested. The appropriation does not impact the rates in either of these funds. The appropriation of fund balance for carryovers is for one-time costs that will not impact future budgets.

The resolution to establish a new spending plan for Internal Service Funds replaces the adopted spending plan with a new spending plan. The purpose of this is to allow for the transfer from the Risk Reduction Fund to finance computer purchases, and to begin the process of eliminating the Fleet Acquisition Fund.

SDBE INFORMATION

Not applicable.

ATTACHMENTS:

- Budget Ordinance to amend the 2011-12 City of Durham Budget Ordinance, the same being Ordinance #14155
- Resolution Establishing FY2011-12 Financial Plans for Internal Service Funds superseding Resolution #9776
- Capital Improvement Project Ordinance to amend the 2011-12 General Capital Improvement Ordinance, the same being Ordinance #14139
- Capital Improvement Project Ordinance to amend the 2011-12 Water and Wastewater Capital Improvement Ordinance, the same being Ordinance #14140
- Capital Improvement Project Ordinance to amend the 2011-12 Stormwater Capital Improvement Ordinance, the same being Ordinance #14141
- Capital Improvement Project Ordinance, Solid Waste Capital Improvement Ordinance